14

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Supreme Court of the United States

OCTOBER TERM, 1952

No. 572

PADUA ALARM SYSTEMS, INC.,
Petitioner,

v.

GENERAL TIME CORPORATION

and

ANTHONY J. PARISSI,
Respondents.

BRIEF OF RESPONDENT PARISSI IN OPPOSITION TO THE PETITION OF PADUA ALARM SYSTEMS, INC., FOR A WRIT OF CERTIORARI

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February 26, 1953.

SUBJECT INDEX

	PAGE
Statement	1
Reasons For Denying The Writ	3
I—There Is No Conflict With *Automatic Radio* v. *Hazeltine* (339 U. S. 827)	3
II—This Case Does Not Involve An Important Question Of Law But Only The Interpretation Of Contracts Between The Parties Involved	5
III—Estoppel Of Padua Makes Other Points Moot	5
Conclusion	6

Table of Authorities Cited

Automatic Radio Manufacturing Co., Inc. v. Hazeltine, 309 U. S. 436	3
Ming v. Corbin, 142 N. Y. 334, 37 N. E. 105	4
Corbin on Contracts, secs. 694-697, 1951	4

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Statement

1. Under agreement of May 14, 1945, Parissi licensed General Time under patents which may be labeled as Group A (3 Telephone System Patents and 1 Socket Patent) and as Group B (Clock Patent). The royalties called for under this agreement were never in dispute and were paid into court by the licensee General Time for distribution as interest might appear.

2. Agreement of September 26, 1939, between Parissi and Padua, required Parissi to pay Padua a percentage of the royalties collected by Parissi from the licensee (General Time) under the patents labeled above as Group A.

3. General Time confined its operations exclusively to the manufacture and sale of clocks, and all royalties paid by General Time arose solely from its operations in making and selling the clock coming within the scope of the patent labeled Group B.

4. In this action the Court of Appeals was able, from the evidence, to segregate the royalties payable under patent labeled Group B from those which might have been required under the patents labeled Group A, if General Time had ever operated thereunder. That Court thus properly held that under the Parissi-Padua agreement there were no royalties ever paid under Group A, and therefore concluded that Padua was not entitled to any of the royalties paid into court by General Time.

5. Prior to the instant action, Parissi brought an action in 1945 against Padua in the Supreme Court of New York, for the purpose of determining the validity of Padua's alleged claim to the invention of the patent of Group B. In paragraph 6 of its amended answer in that action, Padua disclaimed all interest in the invention of Group B and in any contract Parissi may have made in connection therewith (R. 52a). In view of this disclaimer further prosecution of the State Court action was dropped. Of this the Court of Appeals said (R. 114-115),

> "* * * thereby, apart from all else, providing all the elements of estoppel against Padua from making its present claim."

Reasons for Denying the Writ

I. There Is No Conflict With *Automatic Radio* v. *Hazeltine* (339 U. S. 827).

Petitioner Padua predicates its argument primarily on failure to follow the decision of this Court in the Automatic Radio case. In that case Hazeltine licensed Automatic under 570 patents and 200 applications, for which Automatic agreed to pay royalties based upon a small percentage of the selling price of complete radio receivers and, in any event, a minimum of $10,000 per year. The royalty was not based, as in the instant case, on the sale of anything coming within the scope of the patents and applications, but on the sale price of receivers whether or not they embodied anything covered by any of said patents or applications.

That case was an action to recover royalties which had not been paid pursuant to the contract. That question does not arise in the instant case because General Time has paid all the royalties. The question here is whether or not Padua is now estopped to assert that the proceeds of the contract are not subject to division and also to assert that it is entitled to any returns paid with respect to silent alarm clocks. The royalties, according to the terms of the contract, are payable only with respect to the patent (Group B). General Time paid $5,000 advance royalties because it intended to, and because it manufactured only silent alarm clocks (Group B).

General Time did not, as in the Automatic Radio case, pay anything for a privilege which it might or might not exercise as it saw fit. General Time paid only if it exercised the privilege and to the extent that it did exercise the privilege. Padua thus itself in its answer in the State Court suit recognized that the General Time license

covered a number of separable items and that its interest in the proceeds of the General Time license was limited to a portion only of the items (Group A).

Judge Clark of the Court of Appeals aptly states the distinction between the respective cases (R. 108-109).

> "The essential difficulty found by the court appears to stem only from the fact that the license under which Padua now claims the royalties related in form to several patents—eventually to a total of seven—but constituted only a single agreement. There is no other ground for holding the payment provisions indivisible. They certainly take care of all questions conceivable as to apportionment; plaintiff is to pay five cents on each clock produced under the license. See Ming v. Corbin, 142 N. Y. 334, 37 N. E. 105. There is nothing in the general law of indivisible contracts so-called (i.e., contracts where the consideration applies as a unit) to govern this quite different situation of a third party's rights under an earlier agreement. See 3 Corbin on Contracts, §§ 694-697, 1951. Certainly the case specifically relied on, Automatic Radio Mfg. Co. v. Hazeltine Research, 339 U. S. 827, contains no such holding. That dealt with an entirely different matter—the validity of licensing agreements covering a large number of patents under the anti-trust precedents barring "tie-in" arrangements. The holding that such aggregate licensings are not per se a misuse of the patent grant says, at most, that a patentee may pool his patents, at least somewhat; it is far from affirming any compulsion upon him to do so, and that, too, at the behest of third parties."

II. This Case Does Not Involve an Important Question of Law But Only the Interpretation of Contracts Between the Parties Involved.

It is evident from the facts set forth above that the decision in this case must be arrived at from a reading of the contracts and the clear intention of the parties. Padua was only entitled to a percentage of the royalties collected under the patents of Group A. Padua never expected to collect a percentage of the royalties payable under the patent of Group B. If, on the evidence presented, it was possible to clearly ascertain which royalties came within each group, then Padua is only entitled to the percentage it bargained for.

The facts clearly showed that General Time never paid any royalties under the patents of Group A, and consequently Padua is entitled to no percentage of such royalties. This determination may be arrived at purely by an examination of the contracts and the facts. No question of law is involved.

III. Estoppel of Padua Makes Other Points Moot.

The Statement above shows that Padua disclaimed all interest in the invention resulting in the patent of Group B and in any contract Parissi may have made in connection therewith. On the basis of such disclaimer the pending State Court action between Parissi and Padua was dropped.

Judge Clark of the Court of Appeals indicated (R. 114-115) that such disclaimer provided all the elements of estoppel against Padua from making its present claim. Consequently no purpose would be served by having this Court take the case merely to ultimately hold that relief must be denied because of a clear case of estoppel.

Conclusion

The petitioner has failed to state a single ground which would justify this Court in granting a petition for writ of certiorari. The decision of the Court of Appeals is clearly correct and in no wise conflicts with the decision of this Court in the Automatic Radio case. Furthermore, there is not involved any question of great importance to the public or to the law. A mere desire for a further hearing on the facts aptly considered by the Court of Appeals has never been a sound reason for the granting of certiorari.

For the foregoing reasons the petition for writ of certiorari should be denied.

Respectfully submitted,

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HARRY A. SMITH,
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February 26, 1953